



LIQUOR CONTROL BOARD  
INTER-OFFICE  
CORRESPONDENCE

DISTRIBUTION:

Dick Foltz  
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City: Olympia

Date: August 13, 1985

To: Board Member Watanabe  
Chairman L. H. Pedersen  
Board Member Hannah

From: MERCHANDISE COMMITTEE *[Signature]*

Subject: WINE SALES

On December 28, 1984, Controller Jim Hoing advised the Board and members of the Merchandise Committee that profits on Board wine sales had declined to \$1.2 million in Fiscal Year 1984 and that if sales continued at the same rate of decline, we would show little or no net profit from wine sales in Fiscal Year 1985. We now know that the rate of decline in Board sales of wine has continued.

Attached are exhibits A - Net Profit by Product Line and B - Board Sales - In Liters, from the December 28th memorandum to Mr. Pedersen.

As a result of this information, the Merchandise Committee recommended to the Board, and the Board approved, a program to offer up to 10 items per month with super matching TPR's, down to a 10% effective markup, the use of cut case displays for wine items, and a goal to reduce wine inventories in the retail outlets 25% by June 30, 1985, and 33% by December 31. This effort was to stabilize wine sales which were being lost to the private sector and to reduce costs allocated to wine.

In spite of these actions, wine sales have continued to fall at about the same rate of decline.

During the period 1979 - 1982 the Board enjoyed about 18.2% of the wine market (volume) in Washington. That percentage has now dropped to 11.5% in the first 10 months of Fiscal Year 1985. (See exhibit C.)

Prior to July 1, 1982, the Board used its standard 45.9% markup on delivered cost of wine. On July 1, 1982, the markup on delivered cost was raised to 60% and a program of matching TPR's was instituted on August 1, 1982. Effectively, the markup on delivered cost did not go up to 60% because of the matching TPR's. Listed below are the effective markups realized since the change from 45.9%:

FY 1983	54.2%
FY 1984	52.1%
FY 1985	48.8%

The Merchandise Committee is now making additional recommendations as follows in an attempt to halt declining sales, and to decrease wine inventories.

Resp to Costco RFP  
5239

PLAINTIFF'S  
EXHIBIT

CASE  
NO. CV04-0360P

EXHIBIT  
NO. 067

TX067\_001

1. Change markup from 60% on delivered cost to 50%, which is about what will be effectively realized this year, effective November 1, 1985.
2. Discontinue all matches on wines, but continue pass-throughs when they qualify. Exhibit D shows the results of suggested markup change.
3. Allow manager option for numbers of and location of cut-case wine displays.
4. We would go back to putting all wine sizes on the shelves and the liqueurs and flavored brandies on the tables. Allow the display change to be made at the manager option.
5. Allow manager option on sizes.

FOR BOARD DISCUSSION AND DIRECTION:

attachments  
kg

*Report of Comm approved*  
*JHP 8/14/85*  
*RL*

8-14-85

Original: Bob Harvey  
cc: Board  
Foltz  
Hanson  
Hoing  
Minutes

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